

**VILLAGE OF GRAYSON**  
Grayson, Louisiana

Report On Audit  
Of  
Basic Financial Statements  
For The Year Ended  
December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-27-05

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**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

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Independent Auditor's Report

To the Honorable Mayor and  
The City Council  
Village of Grayson  
Grayson, Louisiana

I have audited the accompanying financial statements of the governmental activities and the business-type activities, as of and for the year ended December 31, 2004 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Grayson, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Grayson, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.A. Paragraph 2, the Village has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, Basic Financial Statements and the Management Discussion and Analysis for State and Local Governments.

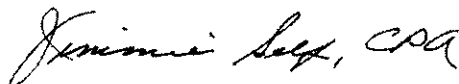
The Management Discussion and Analysis and budgetary comparison information beginning on page 4 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted

principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, I have also issued my report dated June 24, 2005, on my consideration of the Village of Grayson's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grayson's basic financial statements. The introductory section, individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents under Supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jimmie Self, CPA  
Monroe, Louisiana  
June 24, 2005

Required Supplementary Information  
(Part I)

Management Discussion and Analysis

VILLAGE OF GRAYSON  
GRAYSON, LOUISIANA  
Management Discussion and Analysis  
December 31, 2004

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As management of the Village of Grayson, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2004. The Management Discussion and Analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Village's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Village finances. It is also intended to provide readers with an analysis of short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify fund issues or concerns.

This will be the first year the Village of Grayson has presented its financial statements under the reporting model now required by the Governmental Accounting Standards Board Statement Number 34 (GASB 34). This reporting model will significantly change the presentation of financial data and also the manner in which the data is recorded. Prior year comparative information for the December 31, 2003 reporting period has been omitted from the MD&A which is allowable for the first year of GASB 34 presentation. Beginning next year, for the year ended December 31, 2005, our second year of GASB Statement No. 34 implementation, prior year comparative information will be included. This will provide the reader with a basis for comparing the present year financial activities with the previous year's financial activities. Such a comparison will allow the reader to see the gains and losses incurred by the Village in its governmental and business-type activities.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes (Notes to the Financial Reports) and the other Required Supplementary Information (Financial Schedules and reports) that is provided in addition to this Management Discussion and Analysis.

#### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, which is in addition to the basic financial statements themselves.



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**1. Government-Wide Financial Statements**

Government-Wide Financial Statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

A. The *Statement of Net Assets* presents information on all the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or weakening.

B. The *Statement of Activities* presents information showing how government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Village into:

A. *Governmental activities* that are principally supported by taxes and intergovernmental revenues, and

B. *Business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Village's assets exceeded its liabilities at the close of the most recent fiscal year by \$1,659,465. Of that total amount, \$54,847 are unrestricted net assets. The net assets are comprised of \$471,031 from Governmental Activities and \$1,188,433 from Business-Type Activities as shown on page 12.

By far, the largest portion of the Village's net assets (87 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, etc.), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

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provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net assets (5.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance (8.0 percent) in unrestricted assets may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### **Governmental Activities**

The Governmental Activities of the city include General Government, Public Safety, Public Works, Community Development, and Miscellaneous Programs. Sales taxes, property taxes, as well as licenses, permits, and fines fund most of these governmental activities.

Here we show the Village's expenditures related to those functions typically associated with governments. In the chart below, General government includes the following departments: Legislative (Town Council), Executive, Financial, Building, and other General Administration. Public Safety encompasses the police and fire protection departments. Public Works is made up of Water, Sewerage, and street departments.

GOVERNMENTAL ACTIVITIES EXPENDITURES	Amount	Percentage
General Government	\$ 72,217	68 %
Public Safety	563	1 %
Public Works	16,556	16 %
Paid on Long-Term Debt	15,204	15 %
Total Governmental Activities	<u>\$ 104,540</u>	<u>100.00%</u>

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**Management Discussion and Analysis**  
**December 31, 2004**

General revenues are those available for the city to use to pay for the governmental activities as described above.

GENERAL REVENUES	Amount	Percentage
Taxes:		
Property Taxes	\$ 6,247	8 %
Contributions	1,627	2 %
Occupational Licenses	24,789	33 %
Franchise Fees	8,856	12 %
Fines	6,080	8 %
Miscellaneous	4,818	6 %
Fire Assessment	23,069	31 %
Total General Revenues	<u>\$ 75,486</u>	<u>100.00 %</u>

Occupational licenses are the largest revenue source for the Village comprising 31 % of total governmental revenue. Property taxes for the year ended December 31, 2004 were in the amount of \$6,247. Fire assessments revenues are the second largest revenue source for the Village comprising 31% of the total governmental revenue. For the year ended December 31, 2004 the total revenue from fines was in the amount of \$6,080.

### **Business-Type Activities**

The Business-Type Activities of the Village are those fees to customers that help cover all or most of the cost of the services it provides. The Village water and sewer departments are reported here.

<b>BUSINESS TYPE ACTIVITIES</b>	<b>Operating Revenues</b>
(Water and Sewer Fund)	
Fiscal Year Ended December 31, 2004	\$ 175,668
	<b>Operating Expenses</b>
Fiscal Year Ended December 31, 2004	\$ 206,955

## **2. Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like any other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

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A. Governmental funds are used to account for most of the Village's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Those funds are reported using modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 18.

The Village maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. The basic governmental fund financial statements can be found on pages 15 and 17 of this report

*Financial Analysis of Government Funds*

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$27,022. There are no reserved fund balances.

CHANGES IN FUND BALANCES		
Fund Balance Date	General Fund	Water and Sewer Fund
June 30, 2004	\$ (43,482)	\$ 70,504

B. Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Water and Sewer Department. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department. The basic proprietary fund financial statements can be found on pages "Basic Financial Statements" section of this report.

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Management Discussion and Analysis  
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3. Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the government-wide and financial statements. The notes to the financial statements can be found immediately following the section entitled "Basic Financial Statements."

4. Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning with a section entitled "Required Supplementary Information – Part I."

A. Budgetary Comparison Schedule – The Village adopts an annual appropriated budget for its general fund. A budgetary comparison schedule (Schedule 1 in the Required Supplementary Information Part II section) has been provided for these funds to demonstrate compliance with the adopted budget and state laws.

B. Analysis of Significant Budget Variances in the General Fund.

- i. Revenues – \$(545) unfavorable
- ii. Expenditures – \$5,470 favorable

[The unfavorable budgetary revenues are well within the 5% variance required by the Louisiana budgetary statute.]

5. Combining Statements for the non-major Governmental Funds – N/A

6. Other Supplementary Schedules are included in this report.

**Capital Assets and Debt Administration**

1. Capital Assets

The Village's investment in capital assets, net of accumulated depreciation, as of December 31, 2004 in its governmental activities is \$359,178 and in business-type activities is \$1,466,082 which totals \$1,825,260 for the Village. This investment in governmental activities assets includes land, buildings and systems, machinery and equipment, parks and landscaping. The investment in assets for business-type activities includes the water and sewer system and treatment plants. Additions to governmental activities assets within the year include landscaping while increases to business-type activities assets include new equipment purchases and creation of the walking trail.

2. Long-Term Debt

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At the end of the current fiscal year the Village had a revenue bond indebtedness of \$365,158. This indebtedness was undertaken by the Village as Sewer Revenue Bonds in the August of 1991 and is scheduled to be paid in full in the year of 2029.

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Susan Robinson, Town Clerk, Village of Grayson, P. O. Box 8, Grayson, LA 71378.

## Basic Financial Statements

VILLAGE OF GRAYSON, LOUISIANA  
STATEMENT OF NET ASSETS  
December 31, 2004

Exhibit A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL-(MEMORANDUM ONLY)
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 114,136	\$ 24,451	\$ 138,587
Investments	-	-	-
Receivables, Net	1,794	19,211	21,005
Restricted Assets	-	-	-
Restricted Cash	-	104,091	104,091
Capital Assets, Net	359,178	1,466,082	1,825,260
Other debits	-	-	-
<b>Total Assets:</b>	<b>\$ 475,108</b>	<b>\$ 1,613,835</b>	<b>\$ 2,088,943</b>
<b>Liabilities:</b>			
Accounts and Other Payables	\$ 4,077	\$ 13,105	\$ 17,182
Payable from Restricted Assets:	-	-	-
Customer Deposits	-	31,935	31,935
Accrued Liabilities	-	7,608	7,608
Current portion of long-term obligations	-	7,595	7,595
Non Current Portion of long-term obligations	-	365,158	365,158
<b>Total Liabilities:</b>	<b>\$ 4,077</b>	<b>\$ 425,401</b>	<b>\$ 429,478</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Cost	444,007	851,366	1,295,373
<b>Restricted</b>	-	54,847	54,847
Unrestricted	27,024	282,220	309,244
<b>Total Net Assets</b>	<b>\$ 471,031</b>	<b>\$ 1,188,433</b>	<b>\$ 1,659,464</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT



**VILLAGE OF GRAYSON, LOUISIANA**  
**Statement of Activities**  
**For the Year ended June 30, 2004**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities	Business-type Activities	Total (Memorandum Only)
<b>Governmental Activities</b>					
General Government	\$ (72,217)	\$ -	\$ (72,217)	\$ -	\$ (72,217)
Public Safety	(563)	-	(563)	-	(563)
Public Works	(16,556)	-	(16,556)	-	(16,556)
Total Governmental Activities	<u>\$ (89,336)</u>	<u>\$ -</u>	<u>\$ (89,336)</u>	<u>\$ -</u>	<u>\$ (89,336)</u>
<b>Business Type Activities</b>					
Water	\$ (146,080)	\$ 163,482	\$ -	\$ 17,402	\$ 17,402
Sewer	(79,737)	45,850	-	(33,887)	(33,887)
Total Business Type Activities	<u>\$ (225,817)</u>	<u>\$ 209,332</u>	<u>\$ -</u>	<u>\$ (16,485)</u>	<u>\$ (16,485)</u>
Total Primary Government	<u>\$ (225,817)</u>	<u>\$ 209,332</u>	<u>\$ (89,336)</u>	<u>\$ (16,485)</u>	<u>\$ (105,821)</u>

**General Revenues**

**Taxes:**

Property taxes	\$ 6,247
Franchise Fees/Licenses	33,607
Investment Income	2,101
Fire Assessment	23,069
Fines	6,080
Miscellaneous	6,483
Grants	33,410

**Total General Revenues** \$ 110,997 \$ 110,997

**Change in Net Assets**

Net Assets, Beginning of Year, Originally Stated	1,768,943
Prior Period Adjustment	(114,655)
Net Assets, As restated, Beginning of Year	1,654,288

**Net Assets - End of Year** \$ 1,659,464

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

## Fund Financial Statements

VILLAGE OF GRAYSON, LOUISIANA  
 BALANCE SHEET  
 Governmental Funds  
 December 31, 2004

Exhibit C

	General Fund	Fire Fund	Total Governmental Funds (Memorandum Only)
Assets:			
Cash	\$ 10,778	\$ 30,002	\$ 40,780
Investments	-	73,356	73,356
Receivables-(net, where applicable, of allowance for doubtful accounts)	639	1,155	1,794
Total Assets:	<u>\$ 11,417</u>	<u>\$ 104,513</u>	<u>\$ 115,930</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts and Other Payables	\$ 3,617	\$ 459	\$ 4,076
Total Liabilities	3,617	459	4,076
Fund Balances:			
Unreserved-undesignated (deficit)	7,800	104,054	111,854
Total Equity & Other Credits	7,800	104,054	111,854
TOTAL LIABILITY, EQUITY AND OTHER CREDITS	<u>\$ 11,417</u>	<u>\$ 104,513</u>	<u>\$ 115,930</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

**VILLAGE OF GRAYSON, LOUISIANA**  
**Reconciliation of the Balance Sheet**  
**to the Statement of Net Assets**  
**Governmental Funds**  
**For the Year ended December 31, 2004**

**Exhibit C-1**

Fund Balances - Total Governmental Funds \$ 111,854

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets, net of accumulated depreciation of \$359,178, are  
not financial resources, therefore, are not reported in the  
governmental funds.

359,178

Net Assets of Governmental Activities:

\$ 471,032

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

**VILLAGE OF GRAYSON, LOUISIANA**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year ended December 31, 2004**

**Exhibit D**

	General Fund	Fire Fund	Total Governmental Funds (Memorandum only)
<b>Revenues:</b>			
Property Taxes	\$ 6,247	\$ -	\$ 6,247
Occupational Licenses	24,789	-	24,789
Contributions	-	1,627	1,627
Fire Assessment	-	23,069	23,069
Franchise Fee	8,856	-	8,856
Fines	6,080	-	6,080
Miscellaneous	2,716	2,102	4,818
Total Revenues	\$ 48,688	\$ 26,798	\$ 75,486
<b>Expenditures:</b>			
General Government	\$ 52,241	\$ 11,167	\$ 63,408
Public Safety	-	563	563
Public Works	-	16,556	16,556
Interest	-	-	-
Total Expenditures	\$ 52,241	\$ 28,286	\$ 80,527
Excess (Deficiency) of Revenues over expenditures	(3,553)	(1,488)	(5,041)
<b>Other Financing Sources/Uses</b>			
La Forest Grant Fund	-	33,410	33,410
Interest Income	-	2,101	2,101
Total - Other Financing Sources	-	35,511	35,511
Excess (Deficiency) of Revenues Over Expenditures	(3,553)	34,023	30,470
Fund Balance Beginning of Year- Originally stated	11,353	184,686	196,039
Prior Period Adjustment	-	(114,655)	(114,655)
Fund Balance Beginning of Year- (Adjusted)	11,353	70,031	81,384
Fund Balance-End of Year	\$ 7,800	\$ 104,054	\$ 111,854

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

**VILLAGE OF GRAYSON, LOUISIANA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year ended December 31, 2004**

**Exhibit D-1**

Net Change in Fund Balances - Total Governmental Funds \$ 30,470

Amounts reported for governmental activities in the statement of activities  
are different because:

Due to pronouncement GASB 34, requirements to depreciate capital assets  
of Governmental funds, resulted in a prior year restatement of fund balance  
as follows:

Fund Balance @ 12-31-2003	196,039	
Prior period adjustment due to accumulated depreciation	<u>(114,655)</u>	
	81,384	81,384
Change in Net Assets of Governmental Activities		<u>\$ 111,854</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

VILLAGE OF GRAYSON, LOUISIANA  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

Exhibit E

	Business-Type Activities Enterprise Funds		
	WATER FUND	SEWER FUND	TOTAL
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 13,980	\$ 10,471	\$ 24,451
Accounts Receivable, Net	15,347	3,864	19,211
Total Current Assets	29,327	14,335	43,662
Non-Current Assets:			
Restricted Assets:			
Cash and Cash Equivalents	28,541	75,550	104,091
Capital Assets:			
Land, Buildings, and Equipment (Net where applicable of Accumulated Depr)	383,577	1,082,505	1,466,082
Total Capital Assets	383,577	1,082,505	1,466,082
Total Non-Current Assets			
Total Assets	<u>\$ 441,445</u>	<u>\$ 1,172,390</u>	<u>\$ 1,613,835</u>
Liabilities and Net Assets:			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$ 10,872	\$ 2,233	\$ 13,105
Total Current Liabilities (Payable from Current Assets)	10,872	2,233	13,105
Current Liabilities (Payable from Restricted Assets):			
Customer Deposits	31,935	-	31,935
Accrued Bond Interest	-	7,609	7,609
Bonds Payable, current	-	7,595	7,595
Total Current Liabilities (Payable from Restricted Assets)	31,935	15,204	47,139
Long-Term Liabilities:			
Bonds Payable	-	365,158	365,158
Total Long-Term Liabilities	-	365,158	365,158
Total Liabilities	42,807	382,595	425,402
Net Assets			
Invested in Capital Assets, Net of Related Debt	116,418	734,948	851,366
Restricted	-	54,847	54,847
Unrestricted	282,220	-	282,220
Total Net Assets	398,638	789,795	1,188,433
Total Liabilities and Net Assets	<u>\$ 441,445</u>	<u>\$ 1,172,390</u>	<u>\$ 1,613,835</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

**VILLAGE OF GRAYSON, LOUISIANA**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 1004**

**Exhibit F**

	Business-Type Activities Enterprise Funds		TOTAL MEMORANDUM ONLY
	WATER FUND	SEWER FUND	
Operating Revenues:			
Charges for Services	\$ 118,612	\$ 45,850	\$ 164,462
Other Income	11,206	-	11,206
Total Operating Revenues	129,818	45,850	175,668
Operating Expenses:			
Bank Charges			
Salaries	48,267	480	48,747
Payroll Taxes/Employee Benefits	-	37	37
Materials and Supplies	11,426	771	12,197
Repairs	504	6,255	6,759
Auto Expense	4,377	-	4,377
Clerical	2,389	-	2,389
Cross-Roads Water Dept	6,668	-	6,668
Retirement Expense	4,067	41	4,108
Office Supplies and Postage	5,314	1,526	6,840
Miscellaneous	3,438	345	3,783
Insurance Expense	8,648	6,778	15,426
Telephone	1,497	-	1,497
Utilities	13,042	4,856	17,898
Oxidation Pond	-	378	378
Oxidation Pond-Materials and Supplies	-	2,433	2,433
Tractor Expense	3,692	-	3,692
Depreciation	32,751	36,975	69,726
Total Operating Expense	146,080	60,875	206,955
Net Operating Income(Loss)	(16,262)	(15,025)	(31,287)
Non-Operating Revenues(Expenses)			
Grant Income for Capital Assets	33,664	-	33,664
Interest Expense	-	(18,862)	(18,862)
Total Non-Operating Revenues (Expenses)	33,664	(18,862)	14,802
Change in Net Assets	17,402	(33,887)	(16,485)
Net Assets-Beginning of Year	381,236	823,682	1,204,918
Net Assets-End of Year	\$ 398,638	\$ 789,795	\$ 1,188,433

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT



**VILLAGE OF GRAYSON, LOUISIANA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

**Exhibit G**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 163,483	\$ 45,850	\$ 209,333
Payments to Suppliers	(65,329)	(34,692)	(100,021)
Payments to Employees	(48,267)	(480)	(48,747)
Transferred in from Bond Reserve Fd	-	26,458	26,458
Transferred out to Reserve Funds	-	(30,086)	(30,086)
<b>Net Cash Provided by Operating Activities</b>	<b>49,887</b>	<b>7,050</b>	<b>56,937</b>
<b>Cash Flows from Investing Activities:</b>			
Property, Plant & Equipment	(52,696)	-	(52,696)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal paid on Revenue Bonds	-	(7,596)	(7,596)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(52,696)</b>	<b>(7,596)</b>	<b>(60,292)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,809)</b>	<b>(546)</b>	<b>(3,355)</b>
<b>Cash - Beginning of Year</b>	<b>45,329</b>	<b>86,566</b>	<b>131,895</b>
<b>Cash - End of Year</b>	<b>\$ 42,520</b>	<b>\$ 86,020</b>	<b>\$ 128,540</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income, (Loss)	\$ 17,403	\$ (33,887)	\$ (16,484)
<b>Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by Operating Activities</b>			
Depreciation	32,571	36,975	69,546
Increase (Decrease) in Accounts Receivable	(1,332)	1,988	656
Increase (Decrease) in Allowance for Bad Debts	-	-	-
Increase (Decrease) in Accounts Payable	1,245	1,974	3,219
Increase(Decrease) in Accrued Interest	-	-	-
<b>Net Cash Provided by Operations</b>	<b>\$ 49,887</b>	<b>\$ 7,050</b>	<b>\$ 56,937</b>

Principal payment on note - \$7596.00

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

## Notes to Financial Statements

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Grayson, Grayson, La., was incorporated under the provision of the Lawrason Act (Louisiana Revised Statutes [LSA - R.S. 33.321 – 463] and operates under a Mayor-Board of Aldermen/Women form consisting of 4 compensated members of government. It provides the following services to its residents: public safety (police); highways and streets; gas, water, sewer, and sanitation facilities through the utility fund; culture/recreation; and general administrative services.

The accounting and reporting policies of the municipality conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

**I.A. BASIS OF PRESENTATION**

The accompanying financial statements of the Village of Grayson, Grayson, La., have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This annual financial audit is being presented this year for the first time in compliance with Government Accounting Standards Board Statement No. 34 (GASB 34). As a Phase Three Government with revenues less than \$10 million the requirement for GASB 34 standards applies for the first time this year for the year ended December 31, 2004. Several changes in report composition and format will apply, some of which are Management's Discussion and Analysis (MD&A), Government-wide financial reports, and certain supplementary schedules. Most of these changes are presented in the MD&A.

**I.B. REPORTING ENTITY**

As the municipal governing authority, for reporting purposes, the Village of Grayson, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Grayson, Louisiana for the financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - A. The ability of the municipality to impose its will on that organization and /or
  - B. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
  3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

No component units are included in this report, since there are none. All portions of the Village's financial activities which might be otherwise considered as component units are managed as a portion of the centralized governmental and proprietary activities and are included in this report.

**I.C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**I.C.1. Government-wide Financial Statements**

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Village as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

**I.C.2. Fund Financial Statements**

The Village of Grayson uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Village of Grayson are classified into two categories, governmental and proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**VILLAGE OF GRAYSON**  
Grayson, Louisiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
As of and for the Year Ended December 31, 2004

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**I.D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

**I.D.1. Financial Statements**

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village's departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements reports use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the Village has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Major revenue sources susceptible to accrual include sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

**I.D.2. Total Columns on Combined Statements**

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, result of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**I.E. FUND TYPES AND MAJOR FUNDS**

**I.E.1. Governmental Funds**

The Village reports the following major governmental funds:

*General Fund* – reports as the primary fund of the Village. This fund is used to account for all financial resources not reported in other funds.

**I.E.2. Proprietary Fund**

The Village reports the following enterprise funds:

*Water Fund* – accounts for the operating activities of the Village's water utilities services. This is a major fund.

*Sewerage Fund* – accounts for the operating activities of the Village's sewer utility services. This is a major fund.

**I.F. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**I.F.1. Cash and Investments**

The Village maintains and controls cash and investments, some of which are restricted. Legal restrictions and the Village's policies governing deposits and investments are discussed in Notes III.A.1.

The Village's reporting entity considers highly liquid investments (included restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value that is determined using selected bases. Short-term investments are reported at cost that approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount that reasonably estimates fair value.

**I.F.2. Capital Assets**

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

Capital Outlays are recorded as expenditures of the General Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the Village's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has not been capitalized due to an existing exception for Phase-Three local governments with annual revenues of less than \$10 million. Neither is depreciation of infrastructure fixed assets required for a Phase-Three Government entity.

Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays for Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis and government-wide basis. All fixed assets are valued at their estimated fair market value on the date donated. The following table shows the projected useful lives of certain items utilized by the water and sewer utilities. These estimates demonstrate the period of time over which the item is depreciated.

<b>PROJECTED USEFUL LIVES</b>	
<b>Water Utility</b>	<b>Projected Useful Life</b>
Wells	20 years
Storage tanks	40 years
Purification plant	33 years
Lines and meters	40 years
<b>Sewerage Utility</b>	<b>Projected Useful Life</b>
Pump stations	40 years
Lines	40 years
Autos and trucks	5 years
Other equipment	10 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**I.F.3. Long-Term Debt**

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

**I.F.4. Fund Equity**

**I.F.4.a. Contributed Capital**

Contributed capital is recorded in the Enterprise Fund that has received capital grants or contributions from developers, customers, or other funds when such resources are intended for use as capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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**I.F.4.b. Reserves**

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

**I.F.4.c. Designated Fund Balances**

Designated fund balances represent tentative plans for future use of financial resources.

**I.G. REVENUES, EXPENDITURES, AND EXPENSES**

**I.G.1. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October and are actually billed on October 1, and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted and the year billed.

The Village bills and collects its own property taxes using the assessed value determined by the tax assessor of Franklin Parish.

The year ended December 31, 2004 taxes of 5.49 mills were levied on property with assessed valuations totaling \$1,213,893 and were deducted as follows:

General corporate purposes 5.49 mills

Property tax revenues are recognized when they become available. Available includes those property tax receivables elected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and therefore an allowance for uncollectible taxes is provided.

**I.G.2. Fines, Bond Forfeitures, Fees**

Fines, bond forfeiture, and fees are recognized when collected by the Village.

**I.G.3. Interest Income**

Interest income is recorded when the Bank credits it to the accounts.

**I.G.4. Expenditures**

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Principal and interest on general long-term debt and installment purchase payments are recognized when due.



**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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The Water and Sewerage Enterprise Funds are maintained on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The water and Sewerage Enterprise Funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

**I.G.5. Compensated Absences**

Village employees are entitled to ten days of compensated absences. However, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid.

**NOTE II. BUDGETARY INFORMATION**

**II.A. BUDGET POLICY AND PRACTICE**

The Village Clerk submits an annual budget to the Village council in accordance with applicable statutes and policies. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In December, the Village Council adopts the annual fiscal year budgets for Village operating funds. Once approved, the Village Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

**II.B. BASIS OF BUDGETING**

The Village of Grayson (Mayor and Council) uses the following budget practices:

- (1) Prior to December 31, the town Clerk submits to the Mayor and Council Members a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) During the month of January the budget is legally enacted through passage of an ordinance.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (5) Budgets for the General Fund, are adopted on the GAAP basis.
- (6) Appropriations lapse at the end of each fiscal year.
- (7) The Mayor and Council Members authorize supplemental appropriations during the year. Supplemental appropriations were made during the fiscal year.

**II.C. ENCUMBRANCE ACCOUNTING**

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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Encumbrance accounting is not utilized by the Village.

**NOTE III. DETAILED NOTES ON FUNDS**

**III.A. ASSETS**

**III.A.1. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village of Grayson may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

At December 31, 2004, the Village had cash totaling \$242,678 as follows:

	General Fund	Enterprise Fund	Total
Demand Deposits – Book Balances	114,136	24,451	\$ 138,587
Restricted Cash and Investments		104,091	104,091
Total	<u>114,136</u>	<u>128,542</u>	<u>\$ 242,678</u>

Under state law, the Village of Grayson may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. However, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost. Cash and investments are secured as follows:

Bank Balances	\$ 247,329
Federal Deposit Insurance	(300,000)
Pledged Securities (Market Value)	(92,520)
Total	<u>\$ (149,899)</u>

The Village's bank accounts are sufficiently collateralized.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent bank has failed to pay deposited funds upon demand..

**III.A.2. Receivables**

The receivables of \$21,005 at December 31, 2004 are as follows:

General Fund	\$ 1,794
Enterprise Fund	19,211
TOTAL RECEIVABLES	<u>\$ 21,005</u>

No allowance for doubtful accounts has been established.

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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**III.A.3. Restricted Assets**

Certain proprietary fund assets are restricted for construction funded through long-term debt. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. Restricted assets are also reported in various funds for cash deposited in bank accounts legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt or mortgage loans, and certificates of deposit (CD) issued in the Village or trust name and deposited with the Village Treasurer in lieu of project retainages. Proceeds of restricted CD's on deposit with the Village Treasurer are payable as liabilities payable from restricted assets. See Note I.D.1., paragraph 7 describing the priority for use of restricted and unrestricted assets.

**III.A.4. Capital Assets**

Capital outlays are recorded as expenditures of the General Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the village's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has not been capitalized due to an existing exception for local governments with annual revenues of less than \$10 million.

Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays for Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis and government-wide basis. All fixed assets are valued at historical or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004.

**VILLAGE OF GRAYSON**  
Grayson, Louisiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

Capital Assets and depreciation activity as of and for the year ended December 31, 2004 for the Village of Grayson are as follows:

	Beginning Balance 12/31/03	2004 Additions	Balance	Accumulated Depreciation	Remaining Balance	Current Depreciation	Ending Balance 12/31/04
<b>Governmental Activities:</b>							
<b>Capital Assets</b>							
<b>General Fund</b>							
Land	3,600.00		3,600.00	-	3,600.00		3,600.00
Buildings	34,961.00		34,961.00	(5,806.00)	29,155.00	(1,110.00)	28,045.00
Street const	102,221.00		102,221.00	(9,600.00)	92,621.00	(3,245.00)	89,376.00
Equipment	41,489.00		41,489.00	(25,861.00)	15,628.00	(4,452.00)	11,176.00
Auto	1,206.00		1,206.00	(1,206.00)	-		
<b>Total Capital Assets</b>	<b>183,477.00</b>		<b>183,477.00</b>	<b>(42,473.00)</b>	<b>141,004.00</b>	<b>(8,807.00)</b>	<b>132,197.00</b>
<b>Total General Fund</b>							
<b>Capital Assets</b>							
<b>Fire Fund</b>							
Building	260,530.00		260,530.00	(72,182.00)	188,348.00	(8,207.00)	180,141.00
Equipment	-	54,647.00	54,647.00	-	54,647.00	(7,807.00)	46,840.00
	<b>260,530.00</b>	<b>54,647.00</b>	<b>315,177.00</b>	<b>(72,182.00)</b>	<b>242,995.00</b>	<b>(16,014.00)</b>	<b>226,981.00</b>
<b>Total Capital Assets -</b>							
<b>General Fund</b>	<b>444,007.00</b>	<b>54,647.00</b>	<b>498,654.00</b>	<b>(72,182.00)</b>	<b>383,999.00</b>	<b>(24,821.00)</b>	<b>359,178.00</b>

A summary of the fund type property, plant, and equipment at December 31, 2004 is as follows:

	Water Fund	Sewer Fund	Totals
Buildings and Equipment		50,394	50,394
Sewer System	0	11,173	11,173
Water System	587,695	1,626,513	2,161,686
<b>TOTAL</b>	<b>587,695</b>	<b>1,688,080</b>	<b>2,275,775</b>
Less - Accumulated Depreciation	(204,118)	(605,575)	(809,693)
<b>TOTAL</b>	<b>383,577</b>	<b>1,082,505</b>	<b>1,466,082</b>

**TOTAL CAPITAL ASSETS (EXHIBIT A)**

Total Capital Assets (Net) Consist Of:

Total Net Capital Assets \$ 1,825,260

**III.B. LIABILITIES**

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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**III.B.1. Long-Term Obligations**

Long-term debt at December 31, 2004, was composed of the following:

212,700	Sewer Revenue bond (Bond R-1) dated August 4, 1989; due in annual installments of \$12,500; due August 4, 1991-2029; Interest at 5%	176,111
237,500	Sewer Revenue Bond (Bond R-2) dated August 4, 1989; due in annual installments of \$13,958; due August 4, 1991-2029; Interest at 5%	196,644
		<u>372,755</u>
	Less Current Portion:	7,597
	<b>TOTAL LONG-TERM DEBT</b>	<u><u>365,158</u></u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 1995, including interest payments of \$582,083 are as follows:

Year	Revenue Bonds
2005	26,458
2006	26,458
2007	26,458
2008	26,458
2009	26,458
2010 - 2029	529,167

Under the terms of the bond indenture on outstanding sewer revenue bonds, dated August 4, 1989, all income and revenues (hereinafter referred to as income) of every nature, earned or derived from operations of the sewer system are pledged and dedicated to the retirements of said bonds, and are to be set aside in the following funds:

- a. Each month there will be set aside into a fund called the "Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure prompt payment of principle and interest installments as they become due, and may be used only for such payments.

The following is a schedule of deposits that should be made to the sinking fund:

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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<u>PERIOD</u>	<u>MONTHLY INSTALLMENTS</u>
08/20/03 THROUGH 07/20/04	2204.86

- b. There shall be set aside in a Reserve Fund an amount equal to 5% of the principle and interest payments required during the month until there shall have been accumulated in the reserve account an amount equal to \$38,202.

The following is a schedule of payments that should be made to the Reserve Fund:

<u>PERIOD</u>	<u>MONTHLY DEPOSITS</u>
08/20/03 through 07/20/04	\$176.23 per month must be deposited into the fund until \$42,294 has been accumulated.

- c. Monthly deposits of \$112 should also be made for the period of August 20 1990 through uly 20, 2029 to the Contingency Fund.

**III.B.2 Short-Term Liabilities**

Short-term liabilities are paid as they accrue and become payable. They are paid on a monthly basis as approved by the mayor and council for payment.

**NOTE IV. OTHER**

**IV.A. PROPERTY TAX REVENUES**

The revenue derived from this tax is not dedicated to any specific purpose.

**IV.B RESTRICTIONS ON USE OF UTILITIES REVENUES**

Funds provided by utilities revenue is to be used in the following manner before they are available for other lawful purposes:

1. Operating expense of utility system.
2. Revenue bond service funds.
3. Revenue bonds reserve funds.
4. Revenue bond depreciation and contingencies fund.

**IV.C. PENSION PLAN**

Substantially all employees of the Village of Grayson, are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana. These systems are cost-sharing,

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana

*Plan Description.* The system is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A. Some employees of the municipality are members of Plan A and Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. [Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary.] Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

*Funding Policy.* [Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Village of Grayson is required to contribute at an actuarially determined rate. The current rate is 3.75 percent of annual covered payroll.] Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village of Grayson are established and may be amended by state statute. As provide by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. [Village of Grayson contributions to the System under Plan B for the years ending December 31, 2004, 2003, and 2002, were \$ 5,741, \$4,755, and \$2,957, respectively, equal to the required contributions of each year.] Employer rate was increased in 3<sup>rd</sup> Quarter 03.

**IV.D. ACCOUNTS, SALARIES, AND OTHER PAYABLES**

**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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Accounts, salaries, and other payables of \$49,117 are as follows:

PAYABLES	
Accounts Payable – General Fund	4,077
Accounts Payable – Enterprise Fund	13,105
Customer Deposits	31,935
TOTAL	<u>\$ 49,117</u>

**IV.E. INTER-FUND TRANSACTIONS**

During the course of normal operations, the Village has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental funds financial statements generally reflect such transactions as transfers.

**IV.F. CONTINGENCY**

**IV.F.a.** According to the attorney acting on behalf of the Village, there were no pending litigations or claims as of December 31, 2004. There have been no subsequent legal actions to date.

**IV.F.b.** The Village received funds from federal and state governmental agencies in the form of grants, which is subject to audit by the federal or state government. The ultimate determination of amounts received under these programs is generally based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlements reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**IV.G. SUBSEQUENT EVENTS**

There were no subsequent events noted which would affect the financial statement.

**IV.H. LEVIED TAXES**

Authorized Millage 5.49 ; Levied Millage 5.49

**IV.I. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The Village of Grayson has no retired employees as of December 31, 2004

**IV.J. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**IV.J.1 Litigation**

According to the Village's attorney there were no pending litigations or claims against the Village as of December 31, 2004.

**IV.J.2. Federal Assisted Programs**



**VILLAGE OF GRAYSON**  
**Grayson, Louisiana**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2004**

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The Village received financial assistance from Federal and State governmental agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified on the grant agreements.

**IV.K. LEASES**

The Village of Grayson (Grayson Police Department) leases from Applied Concepts, Inc. (DBA Stalker Radar and Video, Equipment: Stalker Deal SLSDSL2KA). This lease requires a monthly payment of \$54.03 for 36 months.

**IV.L. Prior Period Adjustment**

The prior period adjustment of (\$42,473) in the General Fund is the result of the GASB 34 pronouncement that required depreciation of general fixed assets. This prior period adjustment resulted in a negative fund balance of (\$43,482) in the General Fund.

There is also a prior period adjustment in the Fire Fund in the amount of \$72,182, again due to the GASB 34 requirement for depreciation of fixed assets. There is still a positive fund balance in the fire fund in the amount of \$70,504.

Required Supplementary Information  
(Part II)

**VILLAGE OF GRAYSON, LOUISIANA**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Budget (GAAP Basis) and Actual**  
**For the Year ended December 31, 2004**

**Schedule 1**

	GENERAL FUND				FIRE FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Original Budget	Final Budget Fund	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:								
Property Taxes	\$ 8,701	\$ 6,862	\$ 6,247	\$ (615)	\$ -	\$ -	\$ -	\$ -
Occupational Licenses	21,272	24,789	24,789	(0)	-	-	-	-
Contributions	-	-	-	-	50	-	1,627	1,627
Fire Assessment	-	-	-	-	23,330	23,069	23,069	-
Franchise Fee	17,314	8,857	8,856	(1)	-	-	-	-
Fines	3,070	6,080	6,080	-	-	-	-	-
Miscellaneous	3,241	2,645	2,716	71	4,492	3,728	2,102	(1,626)
Total Revenues	53,598	49,233	48,688	(545)	27,872	26,797	26,798	1
Expenditures:								
General Government	61,307	66,520	61,050	5,470	5,942	24,783	11,167	13,616
Public Safety	-	-	-	-	4,115	4,239	563	3,676
Public Works	-	-	-	-	11,642	778	16,556	(15,778)
Equipment Purchase	-	-	-	-	-	-	-	-
Total Expenditures	61,307	66,520	61,050	5,470	21,699	29,800	28,286	1,514
Excess (Deficiency) of Revenues over expenditures	(7,708)	(17,287)	(12,362)	4,925	6,173	(3,003)	(1,488)	2,902
Other Financing Sources/Uses:								
La Forest Grant Fund	-	-	-	-	-	33,410	33,410	-
Interest Income	-	-	-	-	2,506	2,169	2,101	(69)
Equipment Purchase	-	-	-	-	-	(37,147)	-	37,174
Other Expenses	-	-	-	-	-	-	-	-
Total Other Financing Sources/Uses	-	-	-	-	2,506	(1,568)	35,511	37,079
Excess (Deficiency) of Revenues Over Expenditures	(7,708)	(17,287)	(12,362)	4,925	8,679	4,571	34,023	40,081
Fund Balance Beginning of Year- Originally stated	7,708	17,287	11,353	(5,934)	(8,679)	6,058	108,663	102,605
Prior Period Adjustment	-	-	(42,473)	(42,473)	-	-	(72,182)	(72,182)
Fund Balance-End of Year	\$ -	\$ -	\$ (43,482)	\$ (43,482)	\$ -	\$ -	\$ 70,504	\$ 70,504

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS REPORT

VILLAGE OF GRAYSON, LOUISIANA  
ENTERPRISE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS/FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2004

SCHEDULE 2

	WATER FUND	SEWER FUND	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES:			
CHARGES FOR SERVICES	\$ 118,612	\$ 45,850	\$ 164,462
OTHER INCOME - INCLUDING DOTD REIMBURSEMENT	11,206	-	11,206
TOTAL OPERATING INCOME:	129,818	45,850	175,668
OPERATING EXPENSES:			
SALARIES EXPENSE	48,267	480	48,747
AUTO EXPENSE	4,377	-	4,377
CLERICAL	2,389	-	-
REPAIR	504	6,255	6,758
CROSS ROADS - WATER DEPT	6,668	-	6,668
FOOTAGE & SUPPLIES	-	-	1,236
INSURANCE	8,648	6,778	15,427
TRACTOR EXPENSE	3,692	-	3,692
OFFICE EXPENSE	5,314	1,526	6,840
EMPLOYEE BENEFITS	-	-	-
RETIREMENT EXPENSE	4,067	41	525
PAYROLL TAXES	-	37	37
CROSS - CLERICAL FEES	-	-	-
TELEPHONE EXPENSE	1,497	-	1,497
SALES TAXES	-	-	-
UTILITIES	13,042	4,856	17,898
MISCELLANEOUS	3,438	345	3,783
MATERIAL & SUPPLIES	11,426	771	12,197
DEPRECIATION	32,751	36,975	69,726
OXIDATION POND	-	378	378
OXIDATION POND MAT/SUPPLIES	-	2,433	2,433
TOTAL OPERATING EXPENSES:	146,080	60,875	209,519
OPERATING INCOME (LOSS):	(16,262)	(15,025)	(31,287)
NONOPERATING REVENUES (EXPENSES):			
GRANT INCOME FOR CAPITAL ASSETS	33,664	-	33,664
INTEREST INCOME	-	-	-
INTEREST EXPENSE	-	(18,862)	(18,862)
TOTAL NONOPERATING REVENUES (EXPENSES):	33,664	(18,862)	(18,862)
NET INCOME (LOSS):	17,402	(33,887)	(16,485)
RETAINED EARNINGS/FUND BALANCES AT BEGINNING OF YEAR:			
RETAINED EARNINGS - RESERVED	-	67,446	67,446
RETAINED EARNINGS - UNRESERVED	264,820	21,288	286,108
RETAINED EARNINGS/FUND BALANCES AT END OF YEAR:			
RETAINED EARNINGS - RESERVED	-	54,847	54,847
RETAINED EARNINGS - UNRESERVED	\$ 282,222	\$ -	\$ 282,222

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**JIMMIE SELF, CPA**  
***A PROFESSIONAL ACCOUNTING CORPORATION***  
**2908 CAMERON STREET, SUITE C**  
**MONROE, LOUISIANA 71201**  
**PHONE (318) 323-4656 • FAX (318) 388-0724**

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**VILLAGE OF GRAYSON**  
**SUPPLEMENTAL INFORMATION**  
For the Year Ended December 31, 2004

**ENTERPRISE FUNDS:**

Sewer Fund

The Sewer System Fund accounts for operations of the Village Sewerage System and construction of this System.

Water System Fund

The Water System Fund accounts for the operations of the Village water system.

**VILLAGE OF GRAYSON**  
Schedule of Compensation Paid to the Mayor and Councilmen/Women  
For the Year Ended December 31, 2004

<b>BUDDY NUGENT, MAYOR</b>	\$2654.00
P.O. Box 252	
Grayson, La. 71435	
318-649-5361	
Salary - \$ 221.17 per mo.	

<b>CHRISTY BAILEY, COUNCILWOMAN</b>	\$1339.20
P.O. Box 681	
Grayson, La. 71435	
318-649-2152	
Salary - \$ 111.60 per mo.	

<b>JEANIE MCCOY, COUNCILWOMAN</b>	\$1339.20
7710 Hwy. 165	
Columbia, La. 71418	
318-649-5948	
Salary - \$ 111.60 per mo.	

<b>RAYMOND CRUSE, COUNCILMAN</b>	\$1339.20
P. O. Box 309	
Grayson, La. 71435	
318-649-7117	
Salary - \$ 111.60 per mo.	

Total	<u>\$6563.60</u>
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VILLAGE OF GRAYSON, LOUISIANA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Federal Agency or Department</u>	<u>CFDA No.</u>	<u>Grant Number</u>	<u>Federal Award Amount</u>	<u>2004 Program Assistance Received</u>	<u>2004 Expenditures</u>	<u>Total Program Expenditures to 12/31/2004</u>
United States Department of Housing and Urban Development - State of Louisiana, Division of Administration, Louisiana Development Block Grant Program	**10.770	101-5072	\$0	0	26,458.24	26,458.24
FEMA Grant - Community Assistance Program	83.105	EMW-2003-FG-05183	34,900		34,900.00	34,900.00
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>34,900</u>	<u>0</u>	<u>61,358.24</u>	<u>61,358.24</u>

Total FHA Backed Loan at 12/31/2002                      \*\*\$372,756

\*\*Denotes Major Program - Paid Principal of \$7597.00 and interest of \$18,861 in 2004.

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Grayson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Jimmie Self, CPA  
A Professional Accounting Corporation  
2908 Cameron St, Suite C  
Monroe, LA 71201  
Phone (318)-323-4656 • Fax (318)388-0724

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Honorable Mayor  
And the Board of Commissioners  
Village of Grayson, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Village of Grayson, Louisiana as of and for the year ended December 31, 2004, which collectively comprise the Town of Grayson, Louisiana's basic financial statements and have issued my report thereon dated June 24, 2005. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Grayson, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

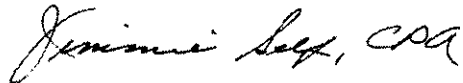
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Grayson, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal



control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I considered to be material weaknesses.

This report is intended solely for the information and use of the management, Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "Jimmie Self, CPA".

Jimmie Self, CPA  
Monroe, Louisiana  
June 24, 2005